

## Message Text

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ORIGIN XMB-04

INFO OCT-01 AF-06 ISO-00 EB-07 AID-05 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 /051 R

DRAFTED BY XMB:JOHN H. HUBER

APPROVED BY EB/IFD/ODFRANDOLPH A SWART

XMB:CLAYTON NORRIS

XMB:DAVID O. BEIM

AF/S:E.SHERMAN

----- 095755

R 141633Z JAN 76

FM SECSTATE WASHDC

TO AMEMBASSY LOURENCO MARQUES

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E. O. 11652: N/A

TAGS: EFIN/MZ

SUBJECT: LOAN APPLICATION BY CAMINHOS DE FERRO DE MOZAMBIQUE (FCM)

1. BY LETTER OF DECEMBER 10, 1975 CFM APPLIED FOR FINANCING TO PURCHASE 22 GE MAINLINE LOCOMOTIVES, COSTING DOLS 12.2 MILLION, TO MEET THE DEMAND FOR INCREASED TRACTION POWER AND REPLACE A NUMBER OF OLD STEAM LOCOMOTIVES.

2. EXIMBANK IS AWARE OF THE NEED BY CFM TO INCREASE AND MODERNIZE ITS LOCOMOTIVE PARK AND OF THE IMPORTANCE OF THE TRANSIT TRADE FOR THE COUNTRY'S FOREIGN EARNINGS. FURTHERMORE, U.S. LOCOMOTIVES HAVE AN EXCELLENT REPUTATION IN WORLD MARKETS AND ARE AMONG THE EXPORTS WHICH TRADITIONALLY HAVE RECEIVED EXIMBANK'S SUPPORT.

3. UNFORTUNATELY, EXIMBANK HAS NO RECENT ECONOMIC AND FINANCIAL DATA ON MOZAMBIQUE ON WHICH TO BASE CONSIDERATION OF THE LOAN REQUEST. EXIMBANK RELIES EXTENSIVELY ON THE ECONOMIC ANALYSES

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AND DATA PUBLISHED BY THE IMF AND THE WORLD BANK. AS MOZAMBIQUE

HAS NOT YET APPLIED FOR MEMBERSHIP IN EITHER OF THESE TWO INTERNATIONAL INSTITUTIONS, NO DATA ARE AVAILABLE FROM THESE SOURCES. THE LATEST DATA ARE THE EMBASSY'S ECONOMIC TRENDS REPORT FOR 1975 (A-141 OF OCTOBER 22, 1975) AND THE IMF'S REPORT ON THE ECONOMY OF MOZAMBIQUE (SM/75/164 OF JULY 1, 1975). THE QUANTITATIVE DATA CONTAINED IN BOTH REPORTS, HOWEVER, DATE BACK TO 1973 WITH SOME FRAGMENTARY FIGURES FOR 1974. THERE HAVE BEEN NO DATA OF ANY KIND AVAILABLE ON MOZAMBIQUE SINCE INDEPENDENCE.

4. EXIMBANK REALIZES THAT WITH ALL THE CHANGES BROUGHT ABOUT BY MOZAMBIQUE'S GAINING NATIONHOOD IT IS NOT POSSIBLE FOR THE NEW GOVERNMENT TO PUBLISH THE USUAL ARRAY OF STATISTICS SO SHORTLY AFTER INDEPENDENCE. HOWEVER, THERE ARE CERTAIN DATA WHICH THE GOVERNMENT MUST HAVE AND WHICH WOULD BE MOST HELPFUL IF IT MADE AVAILABLE. SPECIFICALLY, EXIMBANK WOULD APPRECIATE RECEIVING THE FOLLOWING AS A MINIMUM:

A. BALANCE OF PAYMENTS, WITH A BREAKDOWN INTO IMPORTS AND EXPORTS FOR 1974 AND AN ESTIMATE FOR 1975; FOREIGN EXCHANGE EARNINGS FROM WORKER REMITTANCES AND TRANSIT TRADE FOR 1974 AND AN ESTIMATE FOR 1975, AND A SUMMARY OF THE ENTIRE BALANCE OF PAYMENTS FOR 1974 AND AN ESTIMATE FOR 1975.

B. CURRENT LEVEL OF FOREIGN EXCHANGE RESERVES.

C. AMOUNT OF DISBURSED EXTERNAL DEBT AS OF THE END OF DECEMBER 1974 AND ESTIMATED DEBT SERVICE PAYMENTS (PRINCIPAL AND INTEREST) IN 1975 AND 1976.

5. ON THE TECHNICAL SIDE, EXIMBANK WOULD NEED THE FOLLOWING INFORMATION FROM THE RAILROAD:

A. DESCRIPTION OF THE CONDITION OF THE TRACK NETWORK, LOCOMOTIVE PARK AND ROLLING STOCK.

B. DESCRIPTION OF ANY REHABILITATION, IMPROVEMENT OR MODERNIZATION PROGRAM REGARDING TRACK, LOCOMOTIVE PARK AND ROLLING STOCK, PLANT AND LIMITED OFFICIAL USE

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NEED OR IN PROCESS OF BEING UNDERTAKEN.

C. MOST RECENT CMF ANNUAL REPORT CONTAINING ITS FINANCIAL STATEMENTS.

6. EXIMBANK HAS THE FEELING THAT THE FINANCIAL POSITION OF MOZAMBIQUE IS ACTUALLY MORE FAVORABLE THAN THE IMPRESSION CREATED ON ECONOMIC CONDITIONS FROM NEWSPAPER REPORTS. FURTHERMORE,

EXIMBANK HAS ALREADY SHOWN ITS CONFIDENCE IN THE FUTURE OF MOZAMBIQUE AND ITS NEW GOVERNMENT BY APPROVING A CHANGE IN GUARANTOR FOR THE LOAN BENEFITING MABOR DE MOZAMBIQUE MANUFACTURA DE BORRACHA, SARL, LOURENCO MARQUES. HOWEVER, WITHOUT ANY RECENT ECONOMIC AND FINANCIAL DATA IT WOULD BE MOST DIFFICULT FOR EXIMBANK TO OBSERVE IT CONGRESSIONAL MANDATE THAT IT MUST FIND "REASONABLE ASSURANCE OF REPAYMENT" FOR THE LOANS IT EXTENDS.

7. IN ITS APPLICATION CFM REQUESTED A DUPLICATION OF THE FINANCING PATTERN OF THE EARLIER CREDIT NO. 4343, I.E. 10 PERCENT CASH, 40 PERCENT EXIMBANK LOAN AND 45 PERCENT EXIMBANK GUARANTEE TO PRIVATE LENDER. CURRENT EXIMBANK POLICY GENERALLY REQUIRES THAT SOME PORTION OF THE PRIVATE FINANCING BE MADE WITHOUT AN EXIMBANK GUARANTEE. EXIMBANK HAS CONTACTED CHASE MANHATTAN BANK AND LEARNED THAT CHASE ALSO WOULD NEED RECENT FINANCIAL AND ECONOMIC DATA TO MAKE THEIR OWN CREDIT JUDGMENT.

8. EXIMBANK WOULD GREATLY APPRECIATE THE EMBASSY'S SUPPORT IN CONVEYING THE ABOVE INFORMATION TO GOVERNOR CASSIMO OF THE BANK OF MOZAMBIQUE, DIRECTOR GENERAL SANTOS OF THE DIRECCAO NACIONAL DOS PORTOS E CAMINHOS DE FERRO, AND OTHER OFFICIALS OF THE MOZAMBIQUE GOVERNMENT AS APPROPRIATE. KISSINGER

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## Message Attributes

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**To:** LOURENCO MARQUES  
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